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SUBJECT: THE MANTA PORT, ECUADOR'S POSSIBLE LINK TO ASQAND BRAZIL

REF: 06 QUITO 2226

Classified By: DCM Jefferson Brown. Reason: 1.4 B and D.

¶1. (C) Summary: Hong Kong-based port operator Hutchison Port Holdings, now a year into its concession agreement, has ambitious plans to turn Manta, Ecuador's second (but only natural deep-sea) port, into a world-class seaport. The port is a key element in the GOE's plans to build a Manta-Manaus transportation corridor that will link Ecuador to Brazil and Asia. Thus far Hutchison appears to have maintained good relations with the GOE and avoid President Correa's criticisms of private airport concessions. This positive experience with Hutchison probably fed into Correa's unexpected (and unprepared) statement on November 22 that Ecuador would seek a Chinese company to operate the Manta airport. End summary.

¶2. (U) The Ambassador visited the Manta port on November 19. A little over a year ago, Hong Kong's Hutchison Port Holdings (HPH) won the concession to operate and improve the Manta port, which has the potential to be one of the best ports on South America's Pacific coast (reftel). The concession was granted by the Manta Port Authority, a locally-controlled entity that was given the authority to manage the port in a move similar to the authority that Quito and Guayaquil have to operate their own airports. HPH created joint venture company Terminales Internacionales de Ecuador (TIDE) to manage the \$468 million Manta port concession.

¶3. (SBU) Hutchison gave an impressive presentation of the work that it will do over the next twenty years to turn Manta into a world-class port, including building a commercial terminal and international quays, adding up to twelve large cranes, dredging the port to sixteen meters in depth, and extending the breakwater twice to allow for expansion. In a politically savvy move, Hutchison will also build a new fishing pier for the politically influential Manta fishing community. The company estimates that by 2027, the port will handle 1.2 billion containers per year. In response to a comment from Manta Mayor Jorge Zambrano to the Ambassador that port improvements had not been moving quickly enough, the company said many of its initial improvements, such as reinforcement of the current pier, dredging, and equipment purchases, were not obvious.

¶4. (SBU) TIDE Commercial Manager Johnny Menendra expects that the Manta port will become a regional hub, and cited the example of Korean manufacturer Hyundai, which already sends significant traffic through the port. He said Hyundai wants to use Manta as a shipping platform, or possibly even build a

plant in Manta. He then added that U.S. company Lockheed Martin (LM) owns a percentage of HPH, and said that HPH will use LM technology to meet new U.S. port security requirements. The concessionaire has also been advocating for road improvements from Manta to Quito and Guayaquil, in order to speed business development. Hutchison said it supports the GOE's Manta-to-Manaus project as part of the South American Infrastructure Integration initiative (IIRSA) because of the benefits that it would bring to the port.

¶5. (SBU) When Ambassador asked whether Hutchison is concerned about President Correa's comments challenging aspects of private airport concessions (septel), Menendra said the company has expressly courted close relations with the GOE since day one, and that so far, it has no reason to believe it will face problems. In an earlier meeting that same day with Mayor Zambrano, the Mayor did not appear concerned with Correa's comments on the airport concessions in Quito and Guayaquil, noting that the Municipality operates Manta's commercial airport, which he said was doing very well.

¶6. (C) Comment: While Correa has been rumbling about seeking changes in the concessions for the Quito and Guayaquil airports, the Manta port concession seems to have avoided that political turbulence. The Manta port has been able to do so in part because Correa has been cultivating support from Manabi province (where Manta is located) while seeking to undermine the political standing of Quito and Guayaquil. Another factor is that the Manta port is key to Correa's vision of creating a Manta-to-Manaus intermodal link that would connect Ecuador not only to Brazil but also to Asia. A final element in this equation may be that Hutchison, as a

large, experienced multinational, appears to be managing its relations with the government well.

¶7. (C) Comment, continued: The Manta airport will also play an important role in the Manta-Manaus intermodal transport link. The airport is well-positioned to assume international passenger and cargo traffic thanks to the investments over the past several years made by the USG, which operates a Forward Operating Location (FOL) out of the co-located Ecuadorian Eloy Alfaro Air Force base. Correa's relatively positive experience with Hong Kong-based Hutchison probably played into his seemingly spontaneous comment during last week's trip to China that Ecuador would seek a Chinese company to operate the commercial side of the Manta airport. By all accounts, the GOE had not done any ground work with either China or the Manta authorities (which currently control the commercial side of the airport) before making this announcement. The announcement is also consistent with Correa's clear strategy of directing significant developmental and infrastructure investments to Manta and Manabi province as a preemptive defense against local concerns that the Manta economy would be hurt by the departure of the U.S. FOL should the current agreement not be renewed post-2009. End comment.

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